

**Whitmore Lake Public Schools
Whitmore Lake, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

Whitmore Lake Public Schools

Whitmore Lake, Michigan

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June 30, 2006

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Whitmore Lake Public Schools

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

745 Barclay Circle, Suite 335,
PO Box 70067
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Whitmore Lake Public Schools
Whitmore Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Whitmore Lake Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2006 on our consideration of Whitmore Lake Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control and financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitmore Lake Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 22, 2006

This section of Whitmore Lake Public Schools' annual report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Whitmore Lake Public Schools, a K-12 school district located in Washtenaw County, Michigan, is in its fourth year of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Whitmore Lake Public Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Whitmore Lake Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and longer-term view of the finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Capital Projects Fund individually, and the Special Revenue Funds and Debt Service Funds collectively as other non-major governmental funds. The remaining statement, the Statement of Fiduciary Net Assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the basic financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the Statement of Net Assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, child care, recreation and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The District-wide financial statements are full accrual basis statements. They report all the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Funds solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

Fund Financial Statements

The fund level financial statements are reported on the modified accrual basis. Only those assets that are "measurable" and "available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service Funds and the Special Revenue (School Service) Funds which are comprised of: Food Service, Athletics, and Community Recreation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Summary of Net Assets:

The following summarizes the net assets as of June 30, 2006 and 2005:

Condensed Statement of Net Assets
as of June 30, 2006 and 2005

	Governmental Activities 2006	Governmental Activities 2005
Assets		
Current Assets	\$ 3,554,671	\$ 3,493,798
Noncurrent Assets	10,574,790	28,880,545
Capital Assets	<u>48,331,245</u>	<u>29,922,712</u>
Total Assets	62,460,706	62,297,055
Liabilities		
Current Liabilities	4,520,816	5,108,615
Noncurrent Liabilities	<u>58,320,052</u>	<u>57,359,705</u>
Total Liabilities	62,840,868	62,468,320
Net Assets		
Invested in capital assets, net of related debt	(1,787,541)	(1,848,636)
Unrestricted	<u>1,407,379</u>	<u>1,677,371</u>
Total Net Assets	<u>\$(380,162)</u>	<u>\$(171,265)</u>

Analysis of Financial Position:

The \$1,407,379 in unrestricted net assets of governmental activities represents district funds that have not been committed contractually or for debt obligations and are available for future use. As detailed above, the District shows a negative total net asset value of \$380,162 for the fiscal year ended June 30, 2006. This statement can be explained by the following factors:

- Major construction projects became necessary to expand facilities to meet the needs of students. Construction of new facilities and major modifications to other facilities began in 2003 and continued through the 2005-2006 year. Some of the capital expenses do not meet the capitalization threshold which results in a reduction in total net assets.
- Significant debt, (\$47.75 million) was incurred by the district in 2003 to pay for the facility projects.

Results of Operations:

For the fiscal years ended June 30, 2006 and 2005, the District-wide results of operations were:

Condensed Statement of Activities
Years Ended June 30, 2006 and 2005

	Governmental Activities 2006	Governmental Activities 2005
Revenues:		
Program Revenues		
Charges for Service	\$ 502,926	\$ 435,846
Operating Grants	1,475,926	1,525,759
General Revenues		
Property Taxes	4,812,642	4,584,785
State School Aid-unrestricted	6,809,964	6,506,297
Other	<u>1,617,584</u>	<u>1,724,567</u>
Total Revenues	15,219,042	14,777,254
Functions/Program Expenses:		
Instruction	6,931,509	6,659,971
Supporting services	4,635,743	4,248,887
Community services	318,947	312,511
Food service	450,438	463,826
Athletics	192,027	198,686
Interest on long-term debt	2,515,255	2,804,566
Unallocated depreciation	333,791	332,928
Other	<u>50,229</u>	<u>79,018</u>
Total Expenses	<u>15,427,939</u>	<u>15,100,393</u>
(Decrease) in Net Assets	<u>\$ (208,897)</u>	<u>\$ (323,139)</u>

Analysis of Results of Operations:

During fiscal year ended June 30, 2006, the District's net assets decreased by \$208,897. Several factors which helped cause the decrease are discussed in the following sections.

A. Governmental Fund Operating Results

The District's expenditures and other financing uses from governmental fund operations exceeded revenues and other financing sources by \$18,306,357 for the fiscal year ended June 30, 2006. Further discussion of the district's operating results is available in the section entitled "Results of 2005-2006 Operations" located on the following page.

B. Capital Outlay in Excess of Depreciation Expense

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2005-2006, the District's investment in new or replacement assets exceeded the current year depreciation, causing an increase in net district assets. The District's overall net assets were increased by \$18,408,533, calculated as the difference between new capital investments \$18,791,112 and depreciation allocated against the useful lives of district assets (\$382,579).

C. Long-Term Debt Activities

The District increased its long-term debt obligations during 2005-2006 by making principal payments amounting to \$1,622,007; issuing new debt in principal amount of \$8,795,000 to advance refund the amount of \$8,125,000; borrowing \$1,987,994 from the Michigan School Bond Loan Fund (principal and interest); increase in deferred charges and amortization of deferred charges decreased liability by \$657,478; reduction in accrued interest cost of \$43,799 on outstanding debt was incurred by the District during the fiscal year; increase in bond discount and amortization of premium/discount/ costs reduced liability by \$118,053. Also, compensated absences decreased by \$49,585, and the early retirement incentive liability increased by \$144,000. As a result of these activities, net district long-term debt liabilities increased by \$311,072.

Results of 2005-2006 Operations

During fiscal year ended June 30, 2006, the District net assets decreased by \$208,897. A few additional significant factors affecting net assets during the year are discussed below:

A. General Fund Operations

The General Fund is the main fund for the District and includes all the costs related to educating the students of the Whitmore Lake Public Schools such as: Salaries and benefits for Teachers, Classroom Aides, Administrators, Secretaries, Custodians, Maintenance staff, Noon Aides, Librarians, Counselors, Bus Drivers and other miscellaneous positions; teaching supplies, employee training, utilities, building maintenance supplies and other.

The District's General Fund expenditures exceeded revenues by \$140,598 for the fiscal year ended June 30, 2006. The General Fund as of June 30, 2006, has a fund balance of \$1,417,910 or 12% of expenditures for the 2005-2006 fiscal year. The School District made budget reductions in certain areas for the 2005-2006 fiscal year and most likely will have to continue these reductions for 2006-07 unless funding from the State of Michigan improves.

B. Debt Service Fund Operations

The Debt Service Funds consist of six (6) separate debt funds as follows: 1996 Debt, 2002 Debt, 2003 Debt, 2004 Debt, 2005 Debt and Durant Debt. The Debt Service Funds are set up to collect taxes (or State Aid payments for Durant Debt) and pay annual debt payments. At June 30, 2006, the Debt Service Funds had \$594,831 in fund equity available for future bond payments.

The School District levies taxes to make debt payment obligations. If taxes levied are not sufficient the School District will borrow funds from the Michigan School Bond Loan Fund. Any funds borrowed from the Michigan School Bond Loan Fund will be paid back toward the end of the bond obligations. During this year the District borrowed \$1,987,994 (principal and accrued interest) from the Michigan School Bond Loan Fund. The District also issued \$8,795,000 in Refunding Bonds during this past year to advance refund \$8,125,000 of the 2003 bonds. The District also had compensated absences and early retirement incentives outstanding at June 30, 2006 which totaled \$143,718 and \$228,000, respectively.

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance June 30, 2005	Principal Payments	Principal Balance June 30, 2006
1996 Bonds	\$ 200,000	\$ 200,000	\$ -
Durant Bonds	158,481	12,007	146,474
2002 Bonds	3,990,000	500,000	3,490,000
2003 Bonds	46,975,000	9,000,000	37,975,000
2004 Bonds	4,920,000	35,000	4,885,000
2005 Bonds	-	-	8,795,000
Total long-term bond obligations	<u>\$ 56,243,481</u>	<u>\$ 9,747,007</u>	<u>\$ 55,291,474</u>

C. School Service Funds

The Whitmore Lake Public Schools also has school service funds that include the following: Food Service Fund, Athletic Fund, and the Community Recreation Fund.

The Food Service Fund is a fund that reports the food service program. In 2005-2006 the Food Service Fund had revenues of \$478,651 and expenditures of \$450,438. The Food Service Fund is self-supporting and reimburses the General Fund for all identified overhead costs associated with its operation. The Food Service Fund had a fund balance of \$42,182.

The Athletics Fund includes all costs for High School athletic programs including the cost for coaches, officials, supplies, tournaments, transportation and other. In 2005-2006 the Athletics Fund had revenues and expenditures of \$192,027. The Athletics Fund must be a balanced budget and the District contributed \$147,548 from the General Fund to balance the fund. The Athletics Fund generated \$44,479 in revenue from gate receipts, passes, fees, donations, and other items. The Athletics Fund had no fund balance.

The Community Recreation Fund includes enrichment programs and also community recreation activities funded by a special tax millage. In 2005-2006 the Community Recreation Fund had revenues of \$321,420 and expenditures of \$318,947. The Community Recreation Fund is self-supporting as a whole; however the enrichment programs component is currently not self-supporting and is supported by the community recreation component excess revenues. The Community Recreation Fund has a fund balance of \$132,239.

D. Net Investment in Capital Assets

The District's net investment in capital assets increased by \$18,408,533 during the fiscal year. This can be summarized as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital assets	\$ 35,597,985	\$ 18,791,112	\$ 54,389,097
Less: accumulated depreciation	<u>(5,675,273)</u>	<u>(382,579)</u>	<u>(6,057,852)</u>
Net investment in capital outlay	<u>\$ 29,922,712</u>	<u>\$ 18,408,533</u>	<u>\$ 48,331,245</u>

In 1996, Whitmore Lake Public Schools voters approved a \$7,500,000 general obligation bond issue. In 2003, another general obligation bond issue totaling \$47,750,000 was approved. The proceeds from these bond issues were and/or are being used for constructing new facilities and additions and partial remodeling of existing school facilities, and equipping and re-equipping facilities. The 1996 capital project is completed, and the 2003 capital project is in process. Prior to 1996, the District's most recent bond issue had been in 1992.

IMPORTANT ECONOMIC FACTORS**1. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

The State of Michigan aid, unrestricted, is determined with the following variables:

- State of Michigan State Aid Act per student foundation allowance
- Student Enrollment - Blended at 75 percent of current year's fall count and 25 percent of prior year's winter count
- The District's non-homestead property valuation

Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Whitmore Lake Public Schools foundation allowance was \$6,875 per student for the 2005-2006 school year.

Student Enrollment:

The District's student enrollment for the fall count of 2005-2006 was 1,306 students. The District's enrollment increased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

	<u>Student FTE</u>	<u>FTE Change</u> <u>from Prior Year</u>
2005-2006	1,306	13
2004-2005	1,293	27
2003-2005	1,266	13
2002-2003	1,253	3
2001-2002	1,250	(11)

Subsequent to year end June 30, 2006, preliminary student enrollments for 2006-2007 indicate that enrollments may decrease by about 16 students from 2005-2006.

2. Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)

The District levies 18 mills of property taxes for operations (General Fund) on Non-Homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or five (5) percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value. The District's non-homestead property tax revenue for 2005-2006 fiscal year was \$2,122,075. The non-homestead tax levy increased by 1.04% over the prior year.

3. Debt Fund Property Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2005-2006 the District's debt millage levy was 7.25 mills that generated revenue of \$2,483,045.

4. Community Recreation Fund Property Taxes

The voters of Whitmore Lake Public Schools approved a recreation millage to fund the operations of the new pool facility and also other community recreation activities. The District's recreation levy, which is used to pay the operating costs related to community recreation activities, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2005-2006 the District recreation millage levy was .6099 mills that generated revenue of \$207,522.

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

Listed below is an analysis of the original budget and final budget to the final actual.

General Fund Expenditures and Other Uses Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2005-2006	11,334,658	11,392,739	11,395,435	.51%	.01%

General Fund Revenues and Other Sources, Budget vs. Actual

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>	
				<u>Actual & Original Budget</u>	<u>Actual & Final Budget</u>
2005-2006	10,966,998	11,354,347	11,254,837	3.53%	(.88%)

Original vs. Final Budget:

The Uniform Budget Act of the State of Michigan requires that the Board of Education approve the original budget for the upcoming year prior to July 1, the start of the fiscal year.

As a matter of practice, Whitmore Lake Public Schools amends its budget periodically during the school year. The June 2006 budget amendment was the final budget for the fiscal year.

Revenue Change from Original to Final Budget:

		<u>Percent</u>
Total Revenues Original Budget	\$ 10,966,998	100.00
Total Revenues Final Budget	<u>11,354,347</u>	<u>103.53</u>
Increase in Budget Revenues	<u>\$ 387,349</u>	<u>3.53</u>

The District's final actual General Fund revenues differed from the final budget by \$99,510, a negative variance of 0.88% from the final budget.

The final revenue budget reflects the following changes from the Original Budget.

- Restricted state sources was decreased by approximately \$79,000.
- Decrease of approximately \$42,000 in Special Education funding from Washtenaw Intermediate School District, due to changes in staffing after budget projections.

General Fund Expenditures:

The District's budget for expenditures changed as follows during the year:

		<u>Percent</u>
Total Expenditures Original Budget	\$ 11,334,658	100.00
Total Expenditures Final Budget	<u>11,392,739</u>	<u>100.51</u>
Increase in Budget Expenditures	<u>\$ 58,081</u>	<u>.51</u>

The District's actual expenditures were more than final budget by \$2,696; a negative variance of .51% from the final budget.

Some of the significant changes in expenditure budgets for the year include:

- Early Retirement Incentive accepted by eight teachers, resultant correction of long term liabilities associated with ERI for the 2005-2006 year, \$123,777.

Additional Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration considered many factors when setting the School District's 2007 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2007 fiscal year is 25 percent and 75 percent of the February 2006 and September 2006 student counts, respectively. The 2006 fiscal year budget was adopted in June 2006, based on an estimate of students that will be enrolled in September 2006. Approximately 80 percent to 85 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2006-2007 school year, we anticipate that the fall student count will be relatively flat with the estimates used in creating the 2007 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State Funding and the status of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

In fiscal year 2006, the health and pension charge to employers in the District's retirement plan had been 16.34 percent of payroll, which was comprised of 6.55 percent for health and 9.79 percent for pension. The contribution rate for fiscal year 2007 is set at 17.74 percent of payroll, which is comprised of 6.55 percent for health and 11.19 percent for pension. In both years the rate charged reflects the use of reserves in the retirement plan to hold the rate below the calculated level.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, it can be obtained by contacting the following person:

Carmen M. Jaroslowski
Business Manager
Whitmore Lake Public Schools
8845 Main Street
Whitmore Lake, MI 48189
Phone: (734) 449-4464, Fax: (734) 449-5336
Or E-Mail: Carmen.jaroslowski@wlps.net

BASIC FINANCIAL STATEMENTS

Whitmore Lake Public Schools

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,687,233
Accounts receivable	3,464
Accrued interest receivable	91,197
Due from other governmental units	1,763,433
Inventories and prepaids	9,344
Total current assets	3,554,671
Noncurrent assets	
Investments	9,646,314
Deferred charges	928,476
Capital assets, net of accumulated depreciation	48,331,245
Total noncurrent assets	58,906,035
TOTAL ASSETS	62,460,706
LIABILITIES	
Current liabilities	
Accounts payable	1,124,772
Salaries payable	663,102
Note payable	160,026
Accrued interest payable	408,065
Other accrued expenditures	444,754
Bonds and other obligations, due within one year	1,692,576
Deferred revenue	27,521
Total current liabilities	4,520,816
Noncurrent liabilities	
Bonds payable, due in more than one year, net of premium/discount	57,948,334
Early retirement incentive, due in more than one year	228,000
Compensated absences, due in more than one year	143,718
Total noncurrent liabilities	58,320,052
TOTAL LIABILITIES	62,840,868
NET ASSETS	
Invested in capital assets, net of related debt	(1,787,541)
Unrestricted	1,407,379
TOTAL NET ASSETS	\$ (380,162)

See accompanying notes to financial statements.

Whitmore Lake Public Schools

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenues and
		Services	Grants	Changes in
				Net Assets
				Governmental
				Activities
Governmental activities				
Instruction	\$ 6,931,509	\$ 51,520	\$ 1,295,477	\$ (5,584,512)
Supporting services	4,635,743	-	-	(4,635,743)
Food Service	450,438	298,202	180,449	28,213
Athletics	192,027	44,479	-	(147,548)
Community services	318,947	108,725	-	(210,222)
Other	50,229	-	-	(50,229)
Interest on long-term debt	2,515,255	-	-	(2,515,255)
Unallocated depreciation	333,791	-	-	(333,791)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 15,427,939	\$ 502,926	\$ 1,475,926	(13,449,087)
General revenues				
Property taxes, levied for general purposes				2,122,075
Property taxes, levied for debt services				2,483,045
Property taxes, levied for special purposes				207,522
State school aid - unrestricted				6,809,964
Special Education county allocation				831,815
Interest and investment earnings				666,616
Other				119,153
TOTAL GENERAL REVENUES				13,240,190
CHANGE IN NET ASSETS				(208,897)
Net assets, beginning of year				(171,265)
Net assets, end of year				\$ (380,162)

See accompanying notes to financial statements.

Whitmore Lake Public Schools

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 979,066	\$ 37,039	\$ 671,128	\$ 1,687,233
Investments	67,863	9,578,451	-	9,646,314
Accounts receivable	3,464	-	-	3,464
Accrued interest receivable	-	91,197	-	91,197
Due from other governmental units	1,611,328	-	152,105	1,763,433
Due from other funds	49,790	-	26,370	76,160
Prepaid expenditures	1,785	-	-	1,785
Inventories	-	-	7,559	7,559
TOTAL ASSETS	\$ 2,713,296	\$ 9,706,687	\$ 857,162	\$ 13,277,145
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 12,095	\$ 1,112,677	\$ -	\$ 1,124,772
Due to other funds	-	362	75,798	76,160
Notes payable	160,026	-	-	160,026
Salaries payable	659,014	-	4,088	663,102
Other accrued expenditures	444,754	-	-	444,754
Deferred revenue	19,497	-	8,024	27,521
TOTAL LIABILITIES	1,295,386	1,113,039	87,910	2,496,335
FUND BALANCE				
Reserved for				
Debt service	-	-	594,831	594,831
Inventory and prepaids	1,785	-	7,559	9,344
Compensated absences	67,863	-	-	67,863
Unreserved				
Designated for special purposes	540,208	-	-	540,208
Undesignated, reported in				
General fund	808,054	-	-	808,054
Special revenue funds	-	-	166,862	166,862
Capital projects fund	-	8,593,648	-	8,593,648
TOTAL FUND BALANCE	1,417,910	8,593,648	769,252	10,780,810
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,713,296	\$ 9,706,687	\$ 857,162	\$ 13,277,145

See accompanying notes to financial statements.

Whitmore Lake Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH
THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balance - governmental funds **\$ 10,780,810**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 54,389,097	
Accumulated depreciation is	<u>(6,057,852)</u>	
		48,331,245

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Bonds payable	(58,751,212)	
Compensated absences	(143,718)	
Early retirement	(228,000)	
Accrued interest payable	<u>(408,065)</u>	
		(59,530,995)

Unamortized premium (net of discount) received on sale of bonds, bond issuance
costs, and payment to escrow agent representing future interest on defeased bonds
are not fully amortized in the current period and therefore are not reported as an unamortized
liability in the governmental funds.

Unamortized payment to escrow agent for future interest	621,670	
Unamortized bond issuance costs	306,806	
Unamortized bond premium/discount	<u>(889,698)</u>	
		<u>38,778</u>

Net assets of governmental activities **\$ (380,162)**

See accompanying notes to financial statements.

Whitmore Lake Public Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended June 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Totals Governmental Funds
REVENUES				
Local sources	\$ 2,287,844	\$ 619,090	\$ 3,147,147	\$ 6,054,081
State sources	7,515,273	-	29,621	7,544,894
Federal sources	531,338	-	168,248	699,586
OTHER FINANCING SOURCES				
County special education taxes	831,815	-	-	831,815
Payments from other governments	86,009	-	-	86,009
Other transactions	2,558	-	-	2,558
Proceeds from bonds	-	-	10,683,979	10,683,979
Operating transfers in	-	-	147,548	147,548
TOTAL REVENUES AND OTHER FINANCING SOURCES	11,254,837	619,090	14,176,543	26,050,470
EXPENDITURES				
Current				
Instruction	6,656,287	-	-	6,656,287
Supporting services	4,480,679	-	-	4,480,679
Athletics	-	-	192,027	192,027
Food service	-	-	450,438	450,438
Community service	-	-	318,947	318,947
Capital outlay	-	18,967,274	-	18,967,274
Debt service	-	-	4,095,978	4,095,978
Other	-	16,728	87,776	104,504
OTHER FINANCING USES				
Operating transfers out	147,548	-	-	147,548
Discount/premium on bond issuance	-	-	85,554	85,554
Payment to refunding bond escrow agent	-	-	8,746,670	8,746,670
Other transactions	110,921	-	-	110,921
TOTAL EXPENDITURES AND OTHER FINANCING USES	11,395,435	18,984,002	13,977,390	44,356,827
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(140,598)	(18,364,912)	199,153	(18,306,357)
Fund balances, beginning of year	1,558,508	26,958,560	570,099	29,087,167
Fund balances, end of year	\$ 1,417,910	\$ 8,593,648	\$ 769,252	\$ 10,780,810

See accompanying notes to financial statements.

Whitmore Lake Public Schools

RECONCILIATION OF THE CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

June 30, 2006

Net change in fund balances - total governmental funds **\$ (18,306,357)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (382,579)	
Capital outlay	<u>18,791,112</u>	
Excess of capital outlay over depreciation expense		18,408,533

Repayment and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayments reduce long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	9,747,007	
Bond proceeds	<u>(10,683,979)</u>	
Excess of bond proceeds over principal retirement		(936,972)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in deferred charges	667,888	
Increase in bond discount	85,554	
Decrease in compensated absences	49,585	
Increase in early retirement liability	(144,000)	
Amortization of bond issuance costs	(10,410)	
Amortization of bond premium/discount	32,499	
Increase in interest accrued on school bond loan funds	(99,016)	
Decrease in accrued interest payable on long-term debt	<u>43,799</u>	<u>625,899</u>

Change in net assets of governmental activities **\$ (208,897)**

See accompanying notes to financial statements.

Whitmore Lake Public Schools

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006

	Agency Fund
ASSETS	
Cash	<u>\$ 116,541</u>
LIABILITIES	
Due to student groups	<u>\$ 116,541</u>

See accompanying notes to financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Whitmore Lake Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Whitmore Lake Public Schools (primary government). The District has no activities that would be classified as component units.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the district-wide statements). Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and other general revenues and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The governmental fund financial statements present the District's individual major fund and aggregated nonmajor funds. A separate column is shown for the major fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the District are:

- a. General Fund - The General Fund is used to account for money or other resources provided to the District to support the educational programs and general operations of the District.
- b. Capital Projects Fund - The Capital Projects Fund is used to account for money or other resources provided to the District through a 2003 bond issuance for the purpose of developing, constructing, furnishing and equipping a new high school building and also making improvements to other school facilities.

Additionally, the government reports the following fund types:

- c. Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Special Revenue Funds maintained by the District are the Athletic Fund, Food Services Fund and Community Recreation Fund.
- d. Debt Funds - Debt Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the 1996, 2002, 2003, 2004 and 2005 Debt Funds and the Durant Debt Fund.
- e. Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held in trust for the student and parents.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Accounting - continued

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue funds. All unexpended appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means for financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amounts appropriated.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes. Any revisions that alter the total expenditures at the functional level must be approved by the School Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
- f. The budget, as presented, has been amended in a legally permissible manner. Two (2) Supplementary appropriations were made during the year with the final amendments being approved June 27, 2006.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts, pooled investment accounts, and short-term investments with an original maturity of 90 days or less. Cash equivalents are recorded at cost, which approximates market value.

Investments consist of U.S. government securities with an original maturity of greater than 90 days. Investments are recorded at market value.

6. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Food Services Fund inventory consists of food and paper goods.

8. Due from Other Governmental Units

Due from other governmental units consists of various amounts owed to the District for grant programs, State Aid payments and other purposes. The State of Michigan's funding stream of State Aid payments results in the final two (2) payments for the fiscal year ended June 30, 2006 to be paid in July and August 2006. Of the total amount of \$1,746,016 due from other governmental units, \$1,351,670 consists of State Aid and the remaining \$394,346 from other governmental grants and County delinquent tax payments.

9. Capital Assets

Capital assets include land, buildings and improvements, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost greater than \$5,000 and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Buses and other vehicles	5 - 10 years
Furniture and other equipment	5 - 20 years

The District has no assets that would be classified as infrastructure assets.

10. Compensated Absences

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated vested severance amounts and nonvested severance amounts that are probable to vest and be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a long-term liability in the district-wide financial statements.

11. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the district-wide statements related to interest payable on general obligation bonds.

12. Long-term Obligations

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Long-term Obligations - continued

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums and discounts on debt issuances are netted and are reported as either other financing sources or other financing uses. Issuance costs are reported as debt service expenditures.

13. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on the lien date of December 1 and are due by February 28 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls. School District property tax revenues are recognized when levied to the extent that they result in current revenue (collected as of year-end). Amounts received subsequent to June 30 are recognized as revenue when collected.

The District levies taxes of \$18 per \$1000 of taxable valuation on nonhomestead property for general governmental services, \$7.25 per \$1000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service, and \$.6099 per \$1000 of taxable valuation on the total applicable taxable valuation of all property within the District for recreation.

14. State Foundation Revenue

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the average of pupil membership counts taken in February 2005 and September 2005. The average calculation was weighted 25% for the February 2005 count and 75% for the September 2005 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the fiscal year and two (2) payments made subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

15. State Categorical Revenue

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Transfers of resources to other funds are recorded as operating transfers. Transfers are netted as part of the reconciliation to the district-wide financial statements.

17. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds. The District has not integrated its Single Audit reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

18. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a State or national bank, savings accounts of a State or Federal savings and loan association, or certificates of deposit or share certificates of a State or Federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks and credit unions in the State of Michigan in the name of the School District.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, the carrying amount of the District's deposits was \$1,032,516 and the bank balance was \$1,118,357, of which \$172,700 was covered by federal depository insurance. The balance of \$945,659 was uninsured and uncollateralized. The District also had \$62 of imprest cash on hand.

Investments

As of June 30, 2006, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents captions on the governmental funds balance sheet are as follows:

<u>Investment Type</u>	<u>Carrying Amount/ Market Value</u>	<u>Weighted Average Maturity</u>
Insured or registered for which the securities are held by the District's agent in the District's name - U.S. Government Agency Securities	\$ 4,726,396	57 months
Uncategorized - Pooled investment funds		
Dreyfus – Cash Management Fund	4,852,055	< 12 months
National City - Cash Management Fund	135,000	< 12 months
Comerica - School Cash Investment Fund	636,196	< 12 months
Mid America – Employee Benefit Trust Fund	<u>67,863</u>	< 12 months
	<u>\$ 10,417,510</u>	

The U.S. Government Agency Securities are not insured but are backed by the full faith and credit of the Federal Government and/or its Agencies. The pooled investment funds are not categorized at a risk level because they are not evidenced by securities that exist in physical or book entry form.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2006, the District's investments in the uncategorized pooled investments were rated AAA by Standard and Poor's.

Interest rate risk

The District has adopted a policy that indicates how the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDConcentration of credit risk

The District has adopted a policy that indicates how the District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The District has adopted a policy that indicates how the District will minimize custodial risk, which is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments of collateral securities that are in possession of an outside party. The District's policy limits the types of investments and depositories to those complying with State statute, and also requires prequalification of financial institutions, brokers/dealers, intermediaries and advisors.

As of June 30, 2006, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 1,687,233	\$ 116,541	\$ 1,803,774
Investments	<u>9,646,314</u>	<u>-</u>	<u>9,646,314</u>
	<u>\$ 11,333,547</u>	<u>\$ 116,541</u>	<u>\$ 11,450,088</u>

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental activities				
Land	\$ 1,218,065	\$ -	\$ -	\$ 1,218,065
Buildings and improvements	11,629,140	29,994	-	11,659,134
Buses and other vehicles	979,745	63,308	-	1,043,053
Furniture and equipment	632,822	95,448	-	728,270
Construction in progress	<u>21,138,213</u>	<u>18,602,362</u>	<u>-</u>	<u>39,740,575</u>
Totals at historical cost	35,597,985	18,791,112	-0-	54,389,097
Less accumulated depreciation for:				
Buildings and improvements	(4,769,679)	(333,791)	-	(5,103,470)
Buses and other vehicles	(619,661)	(33,512)	-	(653,173)
Furniture and equipment	<u>(285,933)</u>	<u>(15,276)</u>	<u>-</u>	<u>(301,209)</u>
Total accumulated depreciation	<u>(5,675,273)</u>	<u>(382,579)</u>	<u>-0-</u>	<u>(6,057,852)</u>
Capital assets, net	<u>\$ 29,922,712</u>	<u>\$ 18,408,533</u>	<u>\$ -0-</u>	<u>\$ 48,331,245</u>

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE C: CAPITAL ASSETS - CONTINUED

Depreciation expense was allocated to governmental functions (except for building depreciation). The following details the allocation of depreciation expense.

Instruction	\$ 15,276
Supporting services	33,512
Unallocated	<u>333,791</u>
	<u>\$ 382,579</u>

NOTE D: SHORT-TERM NOTES

On August 2, 2005, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,200,000 for the purpose of funding operating expenditures until the 2006 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$160,026 at June 30, 2006, is reported in the fund-level and district-wide financial statements under the caption short-term notes payable. The June 30, 2006 outstanding balance will be paid off on August 18, 2006.

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt obligations of the District for the year ended June 30, 2006.

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due within One Year
1996 Bonds	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -
2002 Bonds	3,990,000	-	500,000	3,490,000	470,000
2003 Bonds	46,975,000	-	9,000,000	37,975,000	975,000
2004 Bonds	4,920,000	-	35,000	4,885,000	235,000
2005 Bonds	-	8,795,000	-	8,795,000	-
Durant Non-Plaintiff Bonds	158,481	-	12,007	146,474	12,576
Michigan School Bond Loans –					
Principal and Interest	1,471,743	1,987,994	-	3,459,738	-
Early Retirement Incentive	84,000	288,000	144,000	228,000	-
Compensated Absences	<u>193,303</u>	<u>-</u>	<u>49,585</u>	<u>143,718</u>	<u>-</u>
	<u>\$57,992,527</u>	<u>\$11,070,994</u>	<u>\$ 9,940,592</u>	<u>\$59,122,930</u>	<u>\$ 1,692,576</u>

Significant details regarding outstanding long-term debt (including current portions) are presented below:

General Obligation

\$5,550,000 Refunding Bonds dated March 27, 2002, due in annual installments of \$415,000 to \$500,000 through May 1, 2014; interest at 3.5% to 4.50%, payable semi-annually.

\$ 3,490,000

\$47,750,000 School Building and Site Bonds dated August 7, 2003, due in annual installments of \$875,000 to \$1,525,000 through May 1, 2033; interest at 2.0% to 5.25%, payable semi-annually.

37,975,000

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE E: LONG-TERM DEBT - CONTINUED

General Obligation - Continued

\$4,955,000 Refunding Bonds dated December 14, 2004, due in annual installments of \$35,000 to \$270,000 through May 1, 2026; interest at 2.25% to 4.60%, payable semi-annually.	4,885,000
--	-----------

\$8,795,000 Refunding Bonds dated December 29, 2005, due in annual installments of \$0 to \$1,970,000 through May 1, 2024; interest at 4.0% to 4.10%, payable semi-annually.	<u>8,795,000</u>
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Subtotal	<u>\$55,145,000</u>
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Resolution Bonds

\$248,067 1998 Durant Non-Plaintiff serial bonds, due in annual installments of \$12,576 to \$57,979 through May 15, 2013; interest at 4.762%. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan.	<u>\$ 146,474</u>
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Total bonded debt	<u>\$55,291,474</u>
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Michigan School Bond Loans

The District has borrowed on various occasions from the Michigan School Bond Loan Fund. Repayment is due when the District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest ranged from 3.125 to 4.5 percent.

The District has borrowed \$1,888,979 in principal during this fiscal year. Cumulative balances at June 30, 2006, are as follows:

Loan balance	\$ 3,342,156
--------------	--------------

Interest balance	<u>117,582</u>
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	<u>\$ 3,459,738</u>
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Advance Refunding - Current

On December 29, 2005, the District defeased the portion of the 2003 Building and Site Bonds, which are due and payable May 1, 2021 through May 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The funds maintained in the trust will be used to pay the bonds all outstanding bonds when they are callable on May 1, 2013. The District issued General Obligation 2005 Refunding Bonds in the amount of \$8,795,000 and also used \$125,000 from the debt service fund to fund escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. The economic gain resulting from this transaction, which is the present value of the annual savings in principal and interest payments, calculated to be \$383,650. At June 30, 2006, bonds due and payable May 1, 2021 through May 1, 2024 for the 1996 Building and Site Bonds in the amount of \$8,125,000 are considered defeased.

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE E: LONG-TERM DEBT - CONTINUED

Compensated Absences

In recognition of services to the District, payment for unused accumulated sick leave balances is made to eligible employees at termination of employment according to their respective employment contracts. Under GASB Statement No. 16 requirements, the District has elected to implement the "vesting" method of calculating the compensated absences liability. The amounts accumulated for all employees currently vested are calculated along with an amount for other employees who currently are not vested but are probable to vest in future years. The liability for compensated absences reported in the district-wide statements totaled \$143,718 as of June 30, 2006.

Early Retirement Incentive

As an incentive for certain eligible teaching staff to take early retirement, the District offered an early retirement incentive which consists of three (3) annual payments with the first payment due July 1 of the year following retirement. The liability for early retirement payments related to subsequent year's payments for teaching staff that have retired as of June 30, 2006 was \$228,000.

The annual requirements to pay the debt principal and interest outstanding for the long-term debt is as follows.

	<u>Durant Resolution Bonds</u>	<u>General Obligation Bonds</u>	<u>Totals</u>
2007	\$ 17,417	\$ 4,124,806	\$ 4,142,223
2008	82,206	4,103,193	4,185,399
2009	17,421	4,085,680	4,103,101
2010	17,421	4,042,581	4,060,002
2011	17,420	4,041,705	4,059,125
2012-2016	34,838	19,181,012	19,215,850
2017-2021	-	17,595,303	17,595,303
2022-2026	-	16,831,193	16,831,193
2027-2031	-	14,270,060	14,270,060
2032-2033	-	5,170,524	5,170,524
	186,723	93,446,057	93,632,780
Less: interest	(40,249)	(38,301,057)	(38,341,306)
	<u>\$ 146,474</u>	<u>\$ 55,145,000</u>	<u>\$ 55,291,474</u>

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE F: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2006, are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund		
Community Recreation	\$ 45,922	\$ -
Capital Projects	362	-
Debt Service Funds		
1996 Debt Fund	414	-
2002 Debt Fund	1,013	-
2003 Debt Fund	1,803	-
2004 Debt Fund	<u>276</u>	<u>-</u>
	49,790	-0-
Special Revenue Funds		
Community Recreation		
General Fund	-	45,922
Debt Service Funds		
1996 Debt Fund		1,177
2003 Debt Fund	-	-
2004 Debt Fund	7,504	-
General Fund	-	414
2002 Debt Fund		
2003 Debt Fund	-	17,689
General Fund	-	1,013
2003 Debt Fund		
General Fund	-	1,803
1996 Debt Fund	1,177	-
2002 Debt Fund	17,689	-
2004 Debt Fund		
1996 Debt Fund	-	7,504
General Fund	<u>-</u>	<u>276</u>
	26,370	29,876
Capital Projects Fund		
General Fund	<u>-</u>	<u>362</u>
	<u>\$ 76,160</u>	<u>\$ 76,160</u>

NOTE G: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds are as follows:

General fund	
Transfer to Special Revenue Funds	
Athletics Fund	\$ 147,548

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE H: EMPLOYEE RETIREMENT SYSTEM

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2005, the last year available, may be obtained by contacting the State of Michigan, Department of Management and Budget.

The payroll for employees covered by the MPERS for the year ended June 30, 2006, was \$6,923,196; the District's total payroll was \$7,114,199.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten (10) years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death and disability benefits and health and medical, dental, vision, and hearing insurance coverage. Benefits are established by State statute.

For the period of July 1, 2005 to September 30, 2005, the District was required by State statute to contribute 14.87% of covered compensation for all wages to the Plan. For the period October 1, 2005 to June 30, 2006, the District was required by State statute to contribute 16.34% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2006, and the previous two (2) years is as follows:

<u>June 30.</u>	<u>MIP Contributions</u>	<u>District Contributions</u>	<u>Total Contributions</u>
2006	\$ 209,583	\$ 1,103,623	\$ 1,313,206
2005	205,995	989,598	1,195,593
2004	197,191	701,894	899,085

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP</u> <u>Contributions</u>	<u>District</u> <u>Contributions</u>
2006	3.0-4.3 %	15.94 %
2005	3.0-4.3	14.40
2004	3.0-4.3	13.00

NOTE I: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the District has set aside for specific purposes.

The following are the fund balance reserves as of June 30, 2006:

General Fund	
Reserved for compensated absences	\$ 67,863
Reserved for prepaid expenditures	<u>1,785</u>
	69,648
Special Revenue Fund	
Food Service	
Reserved for inventories	7,559
Debt Service Funds	
Reserved for debt service	<u>561,447</u>
	<u>\$ 638,654</u>

The following are the fund balance designations as of June 30, 2006:

General Fund	
Designated for special purposes	<u>\$ 540,208</u>

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE J: RISK MANAGEMENT

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for boiler, property, fleet, liability, in-land marine, crime, data processing, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. The District has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE K: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT

Prior to the current year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff District an agreed upon amount for past underfunding of special education. Whitmore Lake Public Schools, a nonplaintiff District, was awarded \$496,134 in the settlement. The funds are being paid as follows:

- a. One-half is being paid over ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds are recorded within the General Fund as categorical State Aid. At the end of the current year all of these funds had been expended.
- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the body of the required supplementary financial statements, the District's budgeted expenditures in the General Fund have been adopted and reported at the functional classification level.

During the year ended June 30, 2006, the District incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Basic programs	\$ 5,520,718	\$ 5,551,409	\$(30,691)
Added needs	1,092,380	1,104,878	(12,498)
Student services	1,063,068	1,071,931	(8,863)
Instructional staff	386,774	389,069	(2,295)
Operations and maintenance	1,068,039	1,070,681	(2,642)

Whitmore Lake Public Schools

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE M: BONDED CONSTRUCTION FUNDS

The Capital Project Fund of the District includes the capital projects activities funded by the 2003 School Building and Site General Obligation Bonds. For this project recorded in the Capital Project Fund, the District has complied with the applicable provisions of Section 1351 (1) of the Revised School Code for current year expenditures.

NOTE N: CONTRACT COMMITMENTS

The District has entered into various contracts related to the construction and remodeling of various school building projects that were not completed at June 30, 2006. The total contractual commitment outstanding at June 30, 2006 was \$4,770,277. The District's remaining bond proceeds (i.e., fund balance) along with future anticipated investment earnings are expected to be sufficient to cover these commitments.

NOTE O: SUBSEQUENT EVENTS

After the year ended June 30, 2006, the following significant event occurred:

In August 2006, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan totaled \$1,265,000 and future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

REQUIRED SUPPLEMENTARY INFORMATION

Whitmore Lake Public Schools

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local sources	\$ 2,136,377	\$ 2,270,501	\$ 2,287,844	\$ 17,343
State sources	7,398,046	7,603,717	7,515,273	(88,444)
Federal sources	512,904	525,598	531,338	5,740
OTHER FINANCING SOURCES				
County special education taxes	836,574	874,444	831,815	(42,629)
Payments from other governments	79,634	77,529	86,009	8,480
Other transactions	<u>3,463</u>	<u>2,558</u>	<u>2,558</u>	<u>-0-</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	10,966,998	11,354,347	11,254,837	(99,510)
EXPENDITURES				
INSTRUCTION				
Basic programs	5,399,576	5,520,718	5,551,409	(30,691)
Added needs	1,053,122	1,092,380	1,104,878	(12,498)
SUPPORTING SERVICES				
Student services	1,078,341	1,063,068	1,071,931	(8,863)
Instructional staff	482,606	386,774	389,069	(2,295)
General administration	336,189	326,595	325,819	776
School administration	609,034	614,384	613,658	726
Business	304,787	285,956	270,846	15,110
Operations and maintenance	976,765	1,068,039	1,070,681	(2,642)
Transportation	598,372	595,859	592,802	3,057
Central services	202,880	171,727	140,558	31,169
Other	<u>3,900</u>	<u>5,315</u>	<u>5,315</u>	<u>-0-</u>
Total expenditures	11,045,572	11,130,815	11,136,966	(6,151)
OTHER FINANCING USES				
Other transactions	129,064	110,921	110,921	-0-
Operating transfers out	<u>160,022</u>	<u>151,003</u>	<u>147,548</u>	<u>3,455</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>11,334,658</u>	<u>11,392,739</u>	<u>11,395,435</u>	<u>(2,696)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(367,660)	(38,392)	(140,598)	(102,206)
Fund balance, beginning of year	<u>1,094,698</u>	<u>1,456,782</u>	<u>1,558,508</u>	<u>101,726</u>
Fund balance, end of year	<u>\$ 727,038</u>	<u>\$ 1,418,390</u>	<u>\$ 1,417,910</u>	<u>\$ (480)</u>

OTHER SUPPLEMENTARY INFORMATION

Whitmore Lake Public Schools

General Fund

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL

Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
LOCAL SOURCES			
Taxes	\$ 2,121,094	\$ 2,122,075	\$ 981
Earnings on investments and deposits	43,518	43,768	250
Tuition	30,057	30,057	-0-
Other	75,832	91,944	16,112
TOTAL LOCAL SOURCES	2,270,501	2,287,844	17,343
STATE SOURCES			
Unrestricted	6,766,895	6,766,895	-0-
Restricted	836,822	748,378	(88,444)
TOTAL STATE SOURCES	7,603,717	7,515,273	(88,444)
FEDERAL SOURCES			
Restricted - received through State	99,181	99,234	53
Restricted - received through I.S.D.	426,417	432,104	5,687
TOTAL FEDERAL SOURCES	525,598	531,338	5,740
OTHER FINANCING SOURCES			
County special education taxes	874,444	831,815	(42,629)
Payments from other governments	77,529	86,009	8,480
Other	2,558	2,558	-0-
TOTAL OTHER FINANCING SOURCES	954,531	920,382	(34,149)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 11,354,347</u>	<u>\$ 11,254,837</u>	<u>\$ (99,510)</u>

Whitmore Lake Public Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL

Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
INSTRUCTION			
Basic programs			
Preschool	\$ 226,548	\$ 238,380	\$ (11,832)
Elementary	2,142,076	2,145,000	(2,924)
Middle school	1,685,765	1,686,101	(336)
High school	1,466,329	1,481,928	(15,599)
Total basic programs	5,520,718	5,551,409	(30,691)
Added needs			
Special education	834,663	837,393	(2,730)
Compensatory education	154,980	165,848	(10,868)
Vocational education	102,737	101,637	1,100
Total added needs	1,092,380	1,104,878	(12,498)
TOTAL INSTRUCTION	6,613,098	6,656,287	(43,189)
SUPPORTING SERVICES			
Student services			
Guidance Services	206,387	205,714	673
Health Services	76,835	77,623	(788)
Psychological Services	103,691	101,870	1,821
Speech	170,806	178,727	(7,921)
Social Worker	218,139	219,480	(1,341)
Teacher Consultant	280,158	280,237	(79)
Homebound	7,052	8,280	(1,228)
Total student services	1,063,068	1,071,931	(8,863)
Instructional Staff			
Improvement of instruction	109,947	107,792	2,155
Special education	69,609	74,596	(4,987)
Library	207,218	206,681	537
Total instructional staff	386,774	389,069	(2,295)
General Administration			
Board of education	64,936	66,445	(1,509)
Executive administration	261,659	259,374	2,285
Total general administration	326,595	325,819	776
School Administration			
Office of the principal	614,384	613,658	726

Whitmore Lake Public Schools

General Fund

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
SUPPORTING SERVICES - CONTINUED			
Business services			
Fiscal services	\$ 210,631	\$ 212,534	\$ (1,903)
Other business services	75,325	58,312	17,013
Total business services	285,956	270,846	15,110
Operation and maintenance	1,068,039	1,070,681	(2,642)
Central Services			
Staff/personnel services	32,545	33,602	(1,057)
Information management services	139,182	106,956	32,226
Total central services	171,727	140,558	31,169
Transportation services	595,859	592,802	3,057
Other	5,315	5,315	-
TOTAL SUPPORTING SERVICES	4,517,717	4,480,679	37,038
OTHER FINANCING USES			
Other transactions	110,921	110,921	-0-
Transfers to other funds	151,003	147,548	3,455
TOTAL OTHER FINANCING USES	261,924	258,469	3,455
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 11,392,739	\$ 11,395,435	\$ (2,696)

Whitmore Lake Public Schools

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2006

	Special Revenue Funds			Debt Service Fund
	Athletics	Food Service	Community Recreation	1996 Debt Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 34,623	\$ 178,473	\$ 18,182
Due from other funds	-	-	-	7,504
Due from other governmental units	-	-	11,800	9,289
Inventory	-	7,559	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 42,182</u>	<u>\$ 190,273</u>	<u>\$ 34,975</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Salaries payable	\$ -	\$ -	\$ 4,088	\$ -
Deferred revenue	-	-	8,024	-
Due to other funds	-	-	45,922	1,591
TOTAL LIABILITIES	-0-	-0-	58,034	1,591
FUND BALANCES				
Reserved for				
Inventory	-	7,559	-	-
Debt service	-	-	-	33,384
Unreserved				
Undesignated, reported in				
Food service fund	-	34,623	-	-
Community education fund	-	-	132,239	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>42,182</u>	<u>132,239</u>	<u>33,384</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 42,182</u>	<u>\$ 190,273</u>	<u>\$ 34,975</u>

Debt Service Funds

Durant Debt Fund	2002 Debt Fund	2003 Debt Fund	2004 Debt Fund	2005 Debt Fund	Total
\$ -	\$ 124,577	\$ 26,424	\$ 119,039	\$ 169,810	\$ 671,128
-	-	18,866	-	-	26,370
-	38,705	59,993	14,901	17,417	152,105
-	-	-	-	-	7,559
<u>\$ -</u>	<u>\$ 163,282</u>	<u>\$ 105,283</u>	<u>\$ 133,940</u>	<u>\$ 187,227</u>	<u>\$ 857,162</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,088
-	-	-	-	-	8,024
-	18,702	1,803	7,780	-	75,798
-0-	18,702	1,803	7,780	-	87,910
-	-	-	-	-	7,559
-	144,580	103,480	126,160	187,227	594,831
-	-	-	-	-	34,623
-	-	-	-	-	132,239
-	144,580	103,480	126,160	187,227	769,252
<u>\$ -</u>	<u>\$ 163,282</u>	<u>\$ 105,283</u>	<u>\$ 133,940</u>	<u>\$ 187,227</u>	<u>\$ 857,162</u>

Whitmore Lake Public Schools

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES

For the year ended June 30, 2006

	Special Revenue Funds			Debt Service Fund
	Athletics	Food Service	Community Recreation	1996 Debt Fund
REVENUES				
Local sources	\$ 44,479	\$ 298,202	\$ 321,420	\$ 166,706
State sources	-	12,201	-	-
Federal sources	-	168,248	-	-
OTHER FINANCING SOURCES				
Proceeds of bonds	-	-	-	-
Operating transfers in	147,548	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	192,027	478,651	321,420	166,706
EXPENDITURES				
Current				
Athletics	192,027	-	-	-
Food service	-	450,438	-	-
Community education	-	-	318,947	-
Other	-	-	-	-
Debt service	-	-	-	211,600
OTHER FINANCING USES				
Discount/premium on bond issuance	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
TOTAL EXPENDITURES	192,027	450,438	318,947	211,600
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	28,213	2,473	(44,894)
Fund balances, beginning of year	-	13,969	129,766	78,278
Fund balances, end of year	\$ -0-	\$ 42,182	\$ 132,239	\$ 33,384

Debt Service Funds

Durant Debt Fund	2002 Debt Fund	2003 Debt Fund	2004 Debt Fund	2005 Debt Fund	Total
\$ -	\$ 685,398	\$1,058,439	\$ 264,738	\$ 307,765	\$ 3,147,147
17,420	-	-	-	-	29,621
-	-	-	-	-	168,248
-	-	10,683,979	-	-	10,683,979
-	-	-	-	-	147,548
17,420	685,398	11,742,418	264,738	307,765	14,176,543
-	-	-	-	-	192,027
-	-	-	-	-	450,438
-	-	-	-	-	318,947
-	-	87,776	-	-	87,776
17,420	662,300	2,857,300	226,820	120,538	4,095,978
-	-	85,554	-	-	85,554
-	-	8,746,670	-	-	8,746,670
17,420	662,300	11,777,300	226,820	120,538	13,977,390
-	23,098	(34,882)	37,918	187,227	199,153
-	121,482	138,362	88,242	-	570,099
\$ -	\$ 144,580	\$ 103,480	\$ 126,160	\$ 187,227	\$ 769,252

Whitmore Lake Public Schools

Community Recreation Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the year ended June 30, 2006

REVENUES AND OTHER FINANCING SOURCES

REVENUES

Local sources

Taxes	\$ 207,522
Tuition	97,837
Facility rental	10,887
Interest - recreation	4,174
Other	<u>1,000</u>

TOTAL REVENUES	321,420
----------------	---------

EXPENDITURES

Community Education

Salaries	98,739
Employee benefits	34,617
Purchased services	13,807
Supplies and materials	<u>10,701</u>

Recreation

Purchased services	1,757
Capital outlay	<u>159,326</u>

TOTAL EXPENDITURES	<u>318,947</u>
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EXCESS OF REVENUES OVER EXPENDITURES	2,473
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Fund balance, beginning of year	<u>129,766</u>
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Fund balance, end of year	<u><u>\$ 132,239</u></u>
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Whitmore Lake Public Schools

SCHEDULE OF BONDED DEBT OUTSTANDING

June 30, 2006

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
GENERAL OBLIGATION BONDS				
1998 Durant Resolution Bonds				
Dated November 15, 1998				
5/15/2007	4.762	4,841	12,576	17,417
5/15/2008	4.762	24,227	57,979	82,206
5/15/2009	4.762	3,615	13,806	17,421
5/15/2010	4.762	2,958	14,463	17,421
5/15/2011	4.762	2,269	15,151	17,420
5/15/2012	4.762	1,547	15,872	17,419
5/15/2013	4.762	792	16,627	17,419
TOTAL 1998 DURANT RESOLUTION BONDS		40,249	146,474	186,723
2002 Refunding Bonds				
Dated March 27, 2002				
5/1/2007	4.000	144,550	470,000	614,550
5/1/2008	4.000	125,750	450,000	575,750
5/1/2009	4.000	107,750	440,000	547,750
5/1/2010	4.000	90,150	425,000	515,150
5/1/2011	4.100	73,150	440,000	513,150
5/1/2012	4.200	55,110	430,000	485,110
5/1/2013	4.375	37,050	420,000	457,050
5/1/2014	4.500	18,675	415,000	433,675
TOTAL 2002 REFUNDING BONDS		652,185	3,490,000	4,142,185
2003 School Building and Site Bonds				
Dated August 7, 2003				
5/1/2007	2.250	1,753,763	975,000	2,728,763
5/1/2008	2.750	1,731,825	1,025,000	2,756,825
5/1/2009	5.000	1,703,637	1,075,000	2,778,637
5/1/2010	3.250	1,649,888	1,125,000	2,774,888
5/1/2011	3.750	1,613,325	1,175,000	2,788,325
5/1/2012	4.000	1,569,262	1,225,000	2,794,262
5/1/2013	4.000	1,520,262	1,275,000	2,795,262
5/1/2014	4.000	1,469,263	1,325,000	2,794,263
5/1/2015	4.000	1,416,263	1,375,000	2,791,263
5/1/2016	4.000	1,361,263	1,425,000	2,786,263
5/1/2017	5.250	1,304,262	1,475,000	2,779,262
5/1/2018	5.250	1,226,825	1,525,000	2,751,825

Whitmore Lake Public Schools

SCHEDULE OF BONDED DEBT OUTSTANDING - CONTINUED

June 30, 2006

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
GENERAL OBLIGATION BONDS - CONTINUED				
2003 School Building and Site Bonds - continued				
Dated August 7, 2003				
5/1/2019	5.250	\$ 1,146,763	\$ 1,600,000	\$ 2,746,763
5/1/2020	5.250	1,062,763	1,000,000	2,062,763
5/1/2021	5.250	1,010,263	-	1,010,263
5/1/2022	5.250	1,010,263	-	1,010,263
5/1/2023	5.250	1,010,263	-	1,010,263
5/1/2024	5.000	1,010,263	-	1,010,263
5/1/2025	5.000	1,010,263	2,050,000	3,060,263
5/1/2026	5.000	907,762	2,125,000	3,032,762
5/1/2027	5.000	801,512	2,175,000	2,976,512
5/1/2028	5.000	692,762	2,225,000	2,917,762
5/1/2029	5.000	581,512	2,275,000	2,856,512
5/1/2030	5.000	467,762	2,325,000	2,792,762
5/1/2031	5.000	351,512	2,375,000	2,726,512
5/1/2032	5.000	232,762	2,400,000	2,632,762
5/1/2033	4.650	112,762	2,425,000	2,537,762
TOTAL 2003 SCHOOL BUILDING AND SITE BONDS		29,729,025	37,975,000	67,704,025
2004 Refunding Bonds				
Dated December 14, 2004				
5/1/2007	2.500	190,808	235,000	425,808
5/1/2008	2.750	184,933	230,000	414,933
5/1/2009	3.000	178,608	225,000	403,608
5/1/2010	3.250	171,858	225,000	396,858
5/1/2011	5.500	164,545	220,000	384,545
5/1/2012	3.750	156,845	220,000	376,845
5/1/2013	3.750	148,595	215,000	363,595
5/1/2014	4.000	140,533	215,000	355,533
5/1/2015	4.000	131,933	260,000	391,933
5/1/2016	4.000	121,533	260,000	381,533
5/1/2017	4.000	111,133	260,000	371,133
5/1/2018	4.000	100,733	255,000	355,733
5/1/2019	4.125	90,533	255,000	345,533
5/1/2020	4.250	80,014	250,000	330,014
5/1/2021	4.300	69,389	250,000	319,389
5/1/2022	4.375	58,639	245,000	303,639
5/1/2023	4.400	47,920	270,000	317,920
5/1/2024	4.500	36,040	265,000	301,040
5/1/2025	4.600	24,115	265,000	289,115
5/1/2026	4.500	11,925	265,000	276,925
TOTAL 2004 REFUNDING BONDS		2,220,632	4,885,000	7,105,632

Whitmore Lake Public Schools

SCHEDULE OF BONDED DEBT OUTSTANDING - CONTINUED

June 30, 2006

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
GENERAL OBLIGATION BONDS - CONTINUED				
2005 Refunding Bonds				
Dated December 29, 2005				
5/1/2007	n/a	355,685	-	355,685
5/1/2008	n/a	355,685	-	355,685
5/1/2009	n/a	355,685	-	355,685
5/1/2010	n/a	355,685	-	355,685
5/1/2011	n/a	355,685	-	355,685
5/1/2012	n/a	355,685	-	355,685
5/1/2013	n/a	355,685	-	355,685
5/1/2014	n/a	355,685	-	355,685
5/1/2015	4.000	355,685	100,000	455,685
5/1/2016	4.000	351,685	100,000	451,685
5/1/2017	4.000	347,685	100,000	447,685
5/1/2018	4.000	343,685	100,000	443,685
5/1/2019	4.000	339,685	100,000	439,685
5/1/2020	4.000	335,685	745,000	1,080,685
5/1/2021	4.000	305,885	1,805,000	2,110,885
5/1/2022	4.000	233,685	1,860,000	2,093,685
5/1/2023	4.100	159,285	1,915,000	2,074,285
5/1/2024	4.100	80,770	1,970,000	2,050,770
TOTAL 2005 REFUNDING BONDS		<u>5,699,215</u>	<u>8,795,000</u>	<u>14,494,215</u>
TOTAL BONDED DEBT OUTSTANDING		<u>\$ 38,341,306</u>	<u>\$ 55,291,474</u>	<u>\$ 93,632,780</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

745 Barclay Circle, Suite 335,
PO Box 70067
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Whitmore Lake Public Schools
Whitmore Lake, Michigan

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of and for the year ended June 30, 2006, which collectively comprise Whitmore Lake Public Schools' basic financial statements, and have issued our report thereon dated August 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitmore Lake Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitmore Lake Public Schools' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Education of Whitmore Lake Public Schools, the pass-through grantors, and the U.S. Departments of Health and Human Services, Agriculture, Homeland Security and Education and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 22, 2006

Whitmore Lake Public Schools

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

June 30, 2006

Whitmore Lake Public Schools

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

745 Barclay Circle, Suite 335,
PO Box 70067
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Whitmore Lake Public Schools
Whitmore Lake, Michigan

Compliance

We have audited the compliance of Whitmore Lake Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the major Federal programs for the year ended June 30, 2006. The Whitmore Lake Public Schools' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs are the responsibility of Whitmore Lake Public Schools' administration. Our responsibility is to express an opinion on Whitmore Lake Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major Federal programs occurred. An audit includes examining, on a test basis, evidence about Whitmore Lake Public Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Whitmore Lake Public Schools' compliance with those requirements.

In our opinion, the Whitmore Lake Public Schools complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is described in the accompanying schedule of findings as item #2006-1.

Internal Control Over Compliance

The administration of Whitmore Lake Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Whitmore Lake Public Schools' internal control over compliance with requirements that could have a direct and material effect on the major Federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Whitmore Lake Public Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated August 22, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively compromise Whitmore Lake Public Schools' basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education and administration of Whitmore Lake Public Schools, the pass-through grantors, and the U.S. Departments of Agriculture, Health and Human Services and Education and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 22, 2006

Whitmore Lake Public Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Restated Prior Years' Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education				
E.S.E.A. Title I	84.010			
2005-06 Regular - Part A		0615300506	\$ 48,940	\$ -
Title V LEA Allocation	84.298			
2005-06		0602500506	526	-
Technology Literacy Challenge Grants	84.318			
2004-05 Ed Tech - Formula Grant		0542900405	1,463	1,377
2005-06 Ed Tech - Formula Grant		0642900506	913	-
			2,376	1,377
Improving Teacher Quality	84.367			
2004-05 Regular		0505200405	29,055	29,002
2004-05 Carryover		0505200506	9,836	-
2005-06		0605200506	38,880	-
			77,771	29,002
Passed Through State Department of Education and Livingston Intermediate School District				
Drug-Free Schools Program	84.186			
2004-05		N/A	4,077	4,077
2005-06		N/A	3,950	-
			8,027	4,077
Passed Through State Department of Education and Washtenaw Intermediate School District				
Special Education IDEA	84.027A ^(h)			
2003/2004 Carryover		N/A	47,260	46,390
2004/2005 Regular		N/A	290,455	267,762
2004/2005 Carryover		N/A	30,667	-
2005/2006 Regular		N/A	249,413	-
			617,795	314,152
Preschool	84.173A ^(h)			
2005/2006 Regular		N/A	6,262	-
Early On Program	84.181A			
2005/2006 Regular		N/A	13,702	-
TOTAL U.S. DEPARTMENT OF EDUCATION			775,399	348,608

July 1, 2005			June 30, 2006				Balance
Restated Inventory/ Cash or (Payables)	Restated Accrued or (Deferred) Revenue	Cash Receipts/ In-Kind Payments	June 30, 2006 Accrued or (Deferred) Revenue	Revenue	Expenditures	June 30, 2006 Inventory/ Cash or (Payables)	
\$ -	\$ -	\$ 48,940	\$ -	\$ 48,940	\$ 48,940	\$ -0-	
-	-	526	-	526	526	-0-	
-	-	86	-	86	86	-0-	
<u>-</u>	<u>-</u>	<u>913</u>	<u>-</u>	<u>913</u>	<u>913</u>	<u>-0-</u>	
-0-	-0-	999	-0-	999	999	-0-	
-	-	53	-	53	53	-0-	
-	-	9,836	-	9,836	9,836	-0-	
<u>-</u>	<u>-</u>	<u>38,880</u>	<u>-</u>	<u>38,880</u>	<u>38,880</u>	<u>-0-</u>	
-0-	-0-	48,769	-0-	48,769	48,769	-0-	
(381)	381	381	-	-	-	-0-	
<u>-</u>	<u>-</u>	<u>3,950</u>	<u>-</u>	<u>3,950</u>	<u>3,950</u>	<u>-0-</u>	
(381)	381	4,331	-	3,950	3,950	-0-	
(10,070)	10,070	10,070	-	-	-	-0-	
(89,538)	89,538	89,538	-	-	-	-0-	
-	-	13,630	16,185	29,815	29,815	(16,185)	
<u>-</u>	<u>-</u>	<u>147,641</u>	<u>98,187</u>	<u>245,828</u>	<u>245,828</u>	<u>(98,187)</u>	
(99,608)	99,608	260,879	114,375	275,643	275,643	(114,375)	
-	-	6,262	-	6,262	6,262	-0-	
<u>-</u>	<u>-</u>	<u>9,268</u>	<u>-</u>	<u>9,268</u>	<u>9,268</u>	<u>-0-</u>	
(99,989)	99,989	379,974	114,375	394,357	394,357	(114,375)	

Whitmore Lake Public Schools

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Restated Program or Award Amount	(Memo Only) Restated Prior Years' Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Washtenaw County Headstart Program	93.600 ^(e)			
2004/2005		N/A	\$ 136,125	\$ 130,406
2005/2006		N/A	<u>137,481</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			273,606	130,406
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Education School Breakfast Program	10.553 ^{(f) (e)}			
2004-05		51970	25,101	22,862
2005-06		61970	<u>25,441</u>	<u>-</u>
			50,542	22,862
National School Lunch Program	10.555 ^{(f) (e)}			
2004-05		51950,51960	105,935	94,384
2005-06		61950,61960	<u>104,768</u>	<u>-</u>
			210,703	94,384
Food Donation	10.550			
Entitlement commodities		81140	18,655	-
Bonus commodities		81140	<u>1,655</u>	<u>-</u>
			20,310	-0-
Child Care Food Program	10.558			
2004-05		51920,52010	1,156	-
2005-06		61920,62010	<u>10,725</u>	<u>-</u>
			<u>11,881</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>293,436</u>	<u>117,246</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,342,441</u>	<u>\$ 596,260</u>

<u>July 1, 2005</u>			<u>June 30, 2006</u>			<u>June 30, 2006</u>
<u>Restated Inventory/ Cash or (Payables)</u>	<u>Restated Accrued or (Deferred) Revenue</u>	<u>Cash Receipts/ In-Kind Payments</u>	<u>Accrued or (Deferred) Revenue</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Inventory/ Cash or (Payables)</u>
<u>\$(16,473)</u>	<u>\$ 16,473</u>	<u>\$ 16,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -0-</u>
<u>-</u>	<u>-</u>	<u>136,981</u>	<u>-</u>	<u>136,981</u>	<u>136,981</u>	<u>-0-</u>
<u>(16,473)</u>	<u>16,473</u>	<u>153,454</u>	<u>-0-</u>	<u>136,981</u>	<u>136,981</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>2,239</u>	<u>-</u>	<u>2,239</u>	<u>2,239</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>25,441</u>	<u>-</u>	<u>25,441</u>	<u>25,441</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>27,680</u>	<u>-0-</u>	<u>27,680</u>	<u>27,680</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>11,551</u>	<u>-</u>	<u>11,551</u>	<u>11,551</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>104,768</u>	<u>-</u>	<u>104,768</u>	<u>104,768</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>116,319</u>	<u>-0-</u>	<u>116,319</u>	<u>116,319</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>10,713</u>	<u>-</u>	<u>10,713</u> ^(a)	<u>10,713</u> ^(c)	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>1,655</u>	<u>-</u>	<u>1,655</u> ^(a)	<u>1,655</u> ^(c)	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>12,368</u>	<u>-0-</u>	<u>12,368</u>	<u>12,368</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>1,156</u>	<u>-</u>	<u>1,156</u>	<u>1,156</u>	<u>-0-</u>
<u>-</u>	<u>-</u>	<u>10,725</u>	<u>-</u>	<u>10,725</u>	<u>10,725</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>11,881</u>	<u>-0-</u>	<u>11,881</u>	<u>11,881</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>168,248</u>	<u>-0-</u>	<u>168,248</u>	<u>168,248</u>	<u>-0-</u>
<u>\$(116,462)</u>	<u>\$ 116,462</u>	<u>\$ 701,676</u> ^(d)	<u>\$ 114,375</u>	<u>\$ 699,586</u> ^(h)	<u>\$ 699,586</u> ^(b)	<u>\$(114,375)</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Whitmore Lake Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) through (g) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards.

- (a) The current year revenues for the Food Donation Program are determined based on the 2002/03 guidance provided previously from the Michigan Department of Education Administrative Policy Number 7. The amounts reported in this schedule as commodities received were taken from the Recipient Entitlement Balance Report which is in agreement in all material respects with the District's reported amounts.
- (b) The expenditures reported in this schedule are in agreement with the amounts reported in the financial statements and financial reports. The financial reports tested, including claims for advances and reimbursements, were materially correct, complete, accurate, and timely and contain information that is supported by the books and records from which the financial statements have been prepared.
- (c) The amount of out of conditioned commodities due to spoilage or shrinkage included in expenditures is immaterial to the Schedule of Expenditures of Federal Awards taken as a whole.
- (d) The amounts reported in this schedule as cash received are in agreement with the current payment amounts in the Grants Section Auditor's Report.
- (e) Denotes programs tested as "major program".
- (f) Denotes programs required to be clustered by the United States Department of Agriculture.
- (g) Denotes programs required to be clustered by the United States Department of Education.
- (h) Agrees to total revenues from Federal sources per financial statements.

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

745 Barclay Circle, Suite 335,
PO Box 70067
Rochester Hills, MI 48307
(248) 844-2550
FAX: (248) 844-2551

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Whitmore Lake Public Schools
Whitmore Lake, Michigan

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitmore Lake Public Schools as of and for the year ended June 30, 2006, which collectively comprise Whitmore Lake Public Schools' basic financial statements, and have issued our report thereon dated August 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitmore Lake Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitmore Lake Public Schools' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Education of Whitmore Lake Public Schools, the pass-through grantors, and the U.S. Departments of Health and Human Services, Agriculture and Education and is not intended to be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 22, 2006

Whitmore Lake Public Schools

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2006

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were no reportable conditions disclosed by the audit of the basic financial statements. We noted no instances of noncompliance with laws, regulations, contracts and grants that could have a direct and material affect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We did disclose one (1) finding regarding internal controls or compliance related to the major programs tested which is detailed below as Finding # 2006-1.

The major programs tested to cover 25 percent of the total Federal expenditures were the Headstart (CFDA 93.600) program and the National School Lunch and School Breakfast program cluster (CFDA 10.553 and 10.555). Total Federal expenditures for the year ended June 30, 2006 for the major programs tested were \$280,980, which is approximately 40 percent of total Federal expenditures. The District qualified as a low risk auditee.

The District had no Type A programs. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Basic Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

FINDING #2006-1 - EARMARKING - VERIFICATION OF FAMILY INCOME

Program: Headstart (CFDA 93.600)

Condition: During our testing of the District procedures for determining and verifying the low-income status of student families for a sample of ten (10) student files, we noted one (1) instance where the determination of low-income status was incorrect (i.e., counted unborn child as part of family size - would be over income limit if not counted). We noted another instance where the documentation to support either being a recipient of public assistance or explanation of how supported if no reportable family income was not on file.

Criteria: The Headstart program regulations require that at least 90 percent of the enrollees come from families whose income is below the official Federal poverty guidelines or who are receiving public assistance (income eligible). The family income must be verified by the Head Start grantee before determining that a child is income-eligible. Verification must include examination of any of the following: Individual Income Tax Form 1040, W-2 forms, pay stubs, pay envelopes, written statements from employers, or documentation showing current status as recipients of public assistance.

Effect: Because the District has not adequately supported the eligibility for the students identified above, the District may not have met the requirement that at least 90 percent of the enrollees come from families whose income is below the official Federal poverty guidelines or who are receiving public assistance (income eligible).

SCHEDULE OF FINDINGS - CONTINUED

For the Year Ended June 30, 2006

Findings Related to Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 - continued.

FINDING #2006-1 - EARMARKING - VERIFICATION OF FAMILY INCOME - CONTINUED

Recommendation: We recommend the District review and revise procedures related to the determination and verification of the low-income status of student families to assure that the eligibility of all applicable students is appropriately documented.

Response: The District indicated that for the first instance noted above the Family Service Worker who enrolled the family stated that she was told by the Head Start grantee that she could count the unborn child as part of the family. In this instance, the family was only over-income for one month until the child's birth. The District also indicated that the files had been audited by the Head Start grantee.

The District indicated that for the 2006/2007 year both the Family Service Worker and the Early Childhood Coordinator reviewed the income and all forms related to the income verification. There will also be a Head Start grantee monitoring performed by the Service Managers that will also verify all incomes. Income will be closely audited and monitored as new families are enrolled.

Whitmore Lake Public Schools

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2006

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Basic Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Basic Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.